

Amendment 4231, Section 4005 — Cap administrative costs at federal agencies, encourage elimination of duplication, and a five percent rescission in non-DOD/VA FY 2010 discretionary spending

Too many federal programs intended to assist needy Americans and provide essential services waste far too much on administrative costs and overhead.

Most programs do not track the costs of administration so it is difficult to control overhead costs. As a result, billions of dollars are wasted annually.

Recent examples of excessive or wasteful overhead costs.

Department of Transportation

- \$355,767 to pay the personal income taxes of executives;
- \$301,667 to lease 45 automobiles, including Mercedes, BMW and other luxury brands;
- \$247,685 for dinners, tickets to sporting events, and theme-holiday parties;

There are hundreds of duplicative government programs costing taxpayers billions of dollars every year. This amendment would direct the Office of Management and Budget (OMB) to work with each federal agency head to consolidate programs with duplicative goals, missions, and initiatives.

Various GAO reports and other oversight studies over the last few years examining small portions of federal funding provide a long list of examples of numerous federal programs that overlap and duplicate other federal efforts.

For example, in 2005, the Government Accountability Office (GAO) found that 13 different federal agencies spent nearly \$3 billion from 2004 to 2007 to fund 207 federal programs to encourage students to enter the fields of math and science.

As a candidate for president in 2008, Barack Obama pledged to “spend taxpayer money wisely,” and specifically to “eliminate wasteful redundancy.”

Federal agencies have seen huge increases in their budgets and now should be forced to do more with less. This amendment rescinds five percent from each agency, except DOD and VA.

Amendment 4231, Section 4005 — Cap administrative costs at federal agencies, encourage elimination of duplication, and a five percent rescission in non-DOD/VA FY 2010 discretionary spending

Just over a year ago, the national debt was \$10.6 trillion. Today, it is \$12.9 trillion and every American owes more than \$42,000.

This year we will have a \$1.5 trillion deficit.

In FY 2010, the government will spend more than \$3.6 trillion.

Every corner of the federal budget is ripe for savings—from entitlement programs, to the Pentagon, to the hundreds of duplicative government programs.

Simply capping administrative cost and eliminating the duplication of federal programs that pervades the federal bureaucracy could save taxpayers billions of dollars in one year alone.

This amendment would require a reduction of five percent in administrative expenses at every department in the next fiscal year, would require the agencies to work with Congress to reduce duplicative government programs, and would rescind five percent from every department from their FY 2010 budgets, forcing them to prioritize spending in this time of economic downturn.

Too many federal programs intended to assist needy Americans and provide essential services waste far too much on administrative costs and overhead.

These excessive overhead costs siphon funding from the very populations the program is intended to serve.

Yet, most programs do not track the costs of administration so it is difficult to control overhead costs. As a result, billions of dollars are wasted annually.

This amendment will require federal agencies to prioritize their administrative spending by reducing administrative expenditures at each agency by five percent.

Congress has previously capped administrative costs for particular programs and purposes. The FY 2008 Defense appropriations bill, for example, set a 35 percent cap on overhead expenses for research grants. The Ryan White CARE Act, which provides services to those living with HIV/AIDS, has a 10 percent administrative cost cap for grants awarded to states.

Recent examples of excessive or wasteful overhead costs.

Department of Transportation

“Design and engineering companies helping to build the nation's highways ran up millions of dollars in inappropriate charges at the expense of taxpayers, including bills for parties, luxury car leases and hefty paychecks for executives, according to auditors. The bills were described by the firms as overhead costs,” *The Washington Post* reported. Among the overhead costs billed to taxpayers were:

- \$355,767 to pay the personal income taxes of executives;
- \$301,667 to lease 45 automobiles, including Mercedes, BMW and other luxury brands;
- \$247,685 for dinners, tickets to sporting events, and theme-holiday parties;
- \$60,000 paid to a consultant with only a verbal agreement;
- \$35,352 charged by two firms for “image-enhancing items such as golf shirts”;
- \$950,000 in unallowable costs including a political contribution, spa resort bills and alcohol; and
- \$73 million in overpayments for the salaries of contractor executives.

The Washington Post noted “The billing questions at the heart of the audit have been a matter of concern for years, especially since the federal government loosened limits on overhead costs more than a decade ago” and “Members of the American Association of State Highway and Transportation Officials -- including state auditors from across the country -- said they noticed that overhead and compensation costs had been rising for years.”

Department of Housing and Urban Development

The overhead cost of the Housing Opportunities for People With AIDS (HOPWA) program has increased sharply in recent years and, as a result, the proportion of funds supporting housing for those with HIV/AIDS has declined.

According to a Government Accountability Office (GAO) investigation, in FY 2003 only 57 percent of HOPWA funding was spent on housing financial assistance. The remainder was spent on overhead (35 percent for “case management” and 8 percent for “administration”). By comparison, between 1994 and 1998, 64 percent of HOPWA funds were spent on financial rent assistance.

Department of Defense

The Department of Defense currently administers separate agencies that sell groceries and retail goods on military bases. The Defense Commissary Agency operates grocery stores (commissaries), while retail goods are sold by the Army and Air Force Exchange, the Navy Exchange, and the Marine Corps Exchange. Since these agencies are separate but perform similar functions, the overhead and administration of each duplicates the others. Consolidation of the commissaries and exchanges could save billions per year that is currently spent on duplicative overhead. A portion of these savings could be paid to members of the Armed Forces as an additional cash benefit (grocery allowance).

Department of Labor

Nearly \$1 million intended to help adults and teenagers find jobs were misspent by the Tulare County Workforce Investment Board to pay for overhead expenses including rent and utility bills, according to an audit released by the California Inspector General in March. The expenses categorized as overhead by the report make up more than 20 percent of the total determined to have been spent out of the original \$6.8 million awarded to the board.

Department of Energy

Massachusetts spent \$800,000 to distribute \$5.4 million in federal stimulus funds for an appliance exchange program that provided rebates for trading in old appliances for new energy-efficient appliances. The program distributed rebates in less than two hours, yet Massachusetts’ administrative costs for running the exchange neared 13 percent. This was significantly higher than the 5 percent in overhead costs for running a similar program in neighboring New Hampshire.

REDUCE DUPLICATION IN GOVERNMENT PROGRAMS

This amendment would direct the Office of Management and Budget (OMB) to work with each federal agency head to consolidate programs with duplicative goals, missions, and initiatives.

There are hundreds of duplicative government programs costing taxpayers billions of dollars every year

In only a few weeks of work, my office compiled a list of over 640 duplicative federal programs that overlap each other and various efforts at nearly every agency. Every federal department is now administering programs that address challenges tasked to be addressed by other agencies.

Over the past five years, efforts to conduct oversight of duplicative government programs have been routinely delayed because it is very difficult to compile a complete list of government programs, broken down by each federal department.

GAO Reports and other studies reveal a widespread duplication through the federal bureaucracy

Various GAO reports and other oversight studies over the last few years examining small portions of federal funding provide a long list of examples of numerous federal programs that overlap and duplicate other federal efforts.

Examples

- In 2005, the Government Accountability Office (GAO) found that 13 different federal agencies spent nearly \$3 billion from 2004 to 2007 to fund 207 federal programs to encourage students to enter the fields of math and science.
- According to a 2003 GAO report, to the tune of \$30 billion, the federal government funds more than 44 job training programs, administered by nine different federal agencies across the federal bureaucracy.
- According to data from the Catalog of Federal Domestic Assistance, 14 departments within the federal government and 49 independent agencies operate exchange and study abroad programs.

- A 2009 GAO report found 69 early education programs administered by nine different agencies.
- A 2005 GAO study found there are a total of 23 federal housing programs target or have special features for the elderly.

Congress has created a program (or several in most cases) and poured billions of dollars into these programs, in order to address nearly every issue and problem faced by any individual, group, or entity across the country. And yet, many of these problems and challenges still exist today, as if the government never even tried to address it.

Many of these challenges such as homelessness, poverty, education, juvenile delinquency, drug abuse, and hundreds others, remain today—homelessness rates, education testing, juvenile crime rates remain unchanged and unimproved, despite decades of federal programs and billions of dollars in taxpayer funding spent to alleviate and address these concerns.

President Obama Pledged to “Spend Taxpayer Money Wisely” and “Eliminate Wasteful Redundancy”

As a candidate for president in 2008, Barack Obama pledged to “spend taxpayer money wisely,” and specifically to “eliminate wasteful redundancy.” Obama stated “too often, federal departments take on functions or services that are already being done or could be done elsewhere within the federal government more effectively. The result is unnecessary redundancy and the inability of the government to benefit from economies of scale and integrated, streamlined operations.”

He pledged to “conduct an immediate and periodic public inventory of administrative offices and functions and require agency leaders to work together to root out redundancy.”

Yet, little has been done in the last year to accomplish these goals as spending and the number of new government programs have increased. In fact, sixty percent of Americans think President Obama is not cutting enough waste from government, according to a poll released last year.[1]

This amendment, requiring OMB and the agencies to identify duplication, is a first step toward achieving the President’s goal of eliminating waste and duplication in the federal bureaucracy.

Five Percent Reduction in Non-DoD/VA Discretionary Spending

Over the last ten years, discretionary spending has doubled, from \$580 billion in 1999 to more than \$1.2 billion this year.

The discretionary portion of the budget rests entirely upon Congress, who despite a \$1.5 trillion deficit and a crushing national debt refuse to cut spending, eliminate waste and fraud, and conduct meaningful oversight to ensure taxpayers are getting the most for their money.

By rescinding five percent from the FY 2010 budgets of each agency except DoD and VA, this amendment would force the departments to prioritize the most important spending, and find ways to cut back on excessive administrative costs, reduce duplication, consolidate programs, and spend taxpayer funding more wisely.

As families are making budget cuts and some are facing unemployment and decreased wages, it is time for the federal government to lead by example and live within its means.